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29 January 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

OSD AND DOS review(s) completed.

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

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SECTION 3 (WESTERN)

25X1 GERMANY. West German hearings before NATO body scheduled: The Allied High Commissioners have indicated that the West German Government will place its estimates concerning the West German defense contribution before the NATO Temporary Council Committee on 4 February.

Comment: The TCC hearings which have been arranged for the West German Government will be informal in character and be mainly intended to convince Bonn that the Allied estimates of Germany's capacity to finance its share of Western defense programs are well-grounded. The Allies feel that West Germany can pay thirteen billion Deutsche marks, whereas the Germans feel they can only pay seven billion.

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SECTION 1 (SOVIET)

1. USSR. USSR restates its position on Italian question: In a note of 25 January to the Italian Government, the Soviet Union restated its position on revision of the Italian peace treaty and Italy's admission to the United Nations.

Again attacking the "aggressive" intentions of NATO, the Soviet Union makes revision conditional upon Italy's withdrawal from the Atlantic bloc. In regard to the UN, the Soviet Government again maintained it would not object to Italy's admission "on equal terms with other states." [REDACTED]

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Comment: The USSR has consistently maintained that the Satellite nations be considered for UN membership simultaneously with Italy. A Soviet resolution for reconsidering admittance of 14 nations, including Italy and the Satellites, won approval in the UN's Political and Security Committee on 25 January, but so far lacks the two-thirds majority required before the General Assembly can send a recommendation to the Security Council.

2. Pravda announces filling of Tsimlyansk Reservoir: Pravda has recently announced that the closing of the Tsimlyansk Dam sluice gates, begun on 15 January, is now complete and that the reservoir is starting to fill. Pravda also announced that "work tempo" on the Stalingrad and Kuibyshev dams will be more than doubled in 1952. [REDACTED]

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Comment: Pravda announced in September 1951 that the collective on the Tsimlyansk construction site was entering "the final period of construction." The 12.8 kilometer earth dam was scheduled to be completed up to the 38 meter water level mark by January 1952, making it theoretically possible to fill the Tsimlyansk Reservoir during the spring. If the Pravda information is correct, it would appear that the filling of the reservoir, a necessary adjunct of the Volga-Don Canal, is taking place on or ahead of schedule.

3. Latvian Party selects new Secretariat: Immediately following the 11th Congress of the Latvian Communist Party, which convened on 27 December 1951, a plenum of the Central Committee selected the following Secretariat: Ya. E. Kalnberzin and F. E. Titov as first and second secretaries respectively, A. Ya. Pelshe, P. Ya. Litvinov, V. K. Kruminsh and A. P. Chernyshev. [REDACTED]

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Comment: The Secretariat remains the same except for the dismissal of one member, K. P. Plessums.

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4. Death of Choi Balsan, Premier of Mongolian People's Republic in Moscow: On 28 January Radio Moscow announced the death of Marshal Choi Balsan, Premier of the Mongolian People's Republic, in Moscow on 26 January. A special TASS release stated that Choi Balsan had been ill for a "number of years." [REDACTED]

Comment: In January 1950, Moscow announced that because of overwork, Choi Balsan had asked to be relieved of his concurrent offices as Foreign Minister and Minister of National Defense. A Lieutenant General Zhanchiv succeeded him as Defense Minister.

5. RUMANIA. Government revalues currency and lowers prices: The Rumanian Government has decreed a monetary reform pegging the leu to the ruble at the rate of 2.80 to one. It is also calling in the old currency for exchange at rates ranging from 100-1 to 400-1.

At the same time a slight reduction of consumer prices is to be effected, ranging from 5 to 20 percent. [REDACTED]

Comment: The value of the leu in relation to the ruble in inter-Orbit trade is not seriously affected, since all the Satellites have had in fact a fixed and arbitrary exchange rate with the Soviet ruble. However the calling in of old currency for new at the announced rates will reduce consumer purchasing power and virtually wipe out private savings, particularly among those peasants in non-cooperative endeavor and the entrepreneurs in retail trade.

Although prices have been reduced, workers' real wages will suffer, since the reduction will apply to consumer goods which are still virtually unobtainable.

6. CZECHOSLOVAKIA. Economic officials reported under arrest: According to unconfirmed reports, Rudolf Margolius, Deputy Minister of Foreign Trade, and Ludvik Frejka, economic adviser to President Gottwald, have been arrested. The US Embassy in Prague says that Margolius is one of the few capable economists remaining in the Ministry and that his reported arrest comes as a surprise to those who expected emphasis on technical competence following Slansky's disgrace. Reports reaching Vienna state that Frejka was caught in a roundup of "cosmopolitan elements" after Slansky's arrest.

Comment: Arrests being made in connection with the Slansky affair have so far been selective and secret. Frejka has never been in the public eye, although he is alleged to be a power in determining basic economic policy in Czechoslovakia.

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7. Prague buying wave slackens: Although the demand for non-perishable free market items continues above normal, the buying wave has slackened from the critical situation existing a week ago, according to the US Embassy in Prague. The Embassy says that this decrease in the face of revaluation rumors tends to confirm the impression that excess purchasing power in itself is not a great enough problem to require revaluation.

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Comment: The buying wave has been selective throughout and never reached panic proportions. The Embassy noted on 11 January that it had been set off by speculations broadcast by Radio Free Europe.

8. HUNGARY. 1951 plan fulfillment results announced: The Office for Statistics recently issued a report on production results for 1951 in which it was claimed that that year's part of the Five Year Plan was overfulfilled in most cases. Heavy industry achieved 104.3 percent of its goal, light industry 102.4 percent and food industry 101.1 percent. Coal production, however, was 5 percent below the plan and crude oil and building material production also lagged. Boasts of plan fulfillment were accompanied by severe criticism of the quality of the manufactured goods and of the uneven production rate (goods requiring little labor were stated to have been overproduced while those necessitating more time and effort were ignored). Among the problems to be faced in 1952 are improvement in labor discipline, lower production costs, further recruitment of manpower, improved management, and a better utilization of the means of production.

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Comment: Deputy Prime Minister Rakosi has explained Hungary's fulfillment of the 1951 plan in sections of the economy which had failed to meet second and third quarter quotas (heavy industry, food industry) as being the result of an all-out last minute push, the necessity for which should be avoided in 1952. Blame for year-end failures is laid on the managers as well as the workers. New measures have already been undertaken to ensure the labor discipline required to fulfill the 1952 plan. A dozen workers have been sentenced to "educational corrective work" during the past few days for absenteeism and changing jobs.

9. FINLAND. Communists accuse Finnish Telegraph Agency of being US propaganda organ: A communist newspaper has charged in Helsinki that the Finnish Telegraph Agency is one of several organizations which perform American propaganda tasks. To point up this charge the article reported that a "representative of the psychological warfare administration" in the US was seeking additional funds from the Senate to "finance various propaganda activities and foreign organizations engaging in such propaganda."

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Comment: The Finnish Telegraph Agency is a semi-official news agency. This charge is a somewhat unusual line for the Finnish Communist press to adopt and is similar in some respects to that used by the Soviet Orbit in attacking the Mutual Security Act.

10. TRIESTE. Trieste pro-Cominformists propagandize for early communal elections: The leader of the pro-Cominform Communist Party in Trieste, Vittorio Vidali, has sent an open letter to the British-US Zone Commander requesting an immediate election. In addition, the pro-Cominform newspaper L'Unita contends that since the weather is mild and the census completed, no other excuse for postponement could be advanced. American observers in Trieste believe that Vidali's persistence will enable the party to claim a moral victory when the elections are announced. [REDACTED]

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Comment: The Allied Military Government has recommended the holding of communal elections to coincide with the remaining Italian administrative elections, which will probably take place this spring.

Although the pro-Cominformists will undoubtedly attempt to exploit the election announcement, they are not in a position to monopolize the credit for its appearance, since all parties in Trieste which are not pro-Italian have campaigned vigorously for communal elections since their postponement last fall.

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SECTION 2 (EASTERN)

1. INDIA. Kashmiri Prime Minister departs for Paris: Kashmiri Prime Minister Sheikh Abdullah departed for Paris on 26 January to be available for consultations during forthcoming UN Security Council debates on Kashmir.

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Comment: The Prime Minister's departure suggests that the Indian Government is finding it more and more difficult to control him. His presence there may complicate the forthcoming UN Security Council debates on Kashmir.

Sheikh Abdullah, reputedly a persuasive orator with considerable influence over Indian Prime Minister Nehru, had planned on earlier occasions to attend UN meetings on Kashmir. In each case his departure from India was postponed at the last moment. Available evidence suggests that the Indian Government, knowing his predilection for Kashmiri autonomy, prevented his attendance for fear it could not control his statements.

In recent months, however, the Kashmiri drive for autonomy has become stronger. On 17 January the USSR openly espoused Kashmir's contention that it should be allowed to decide its own future without outside interference. The Indian press has given serious consideration to that suggestion and in some cases has acclaimed it. The Indian Government may therefore feel that it can no longer keep Kashmir from having a voice in the settlement of its own affairs.

Sheikh Abdullah publicly stated on 26 January that he was under no obligation to accept United Nations directives on the Kashmir issue.

2. Final election results in Travancore-Cochin: The final election results for the 108 seats in the Travancore-Cochin state assembly are as follows: Congress Party, 44; United Front Leftists, 32; Socialist Party, 12; Independents, 11 (of whom four were reportedly supported by United Front Leftists); Cochin Party, one; Travancore Tamilnad Congress, eight. Of the 24 known Communists elected, three are underground, five are in detention, one woman is on parole, seven ran as Revolutionary Socialists, and one as a Kerala Socialist.

Results for the 12 seats in the House of the People (National Parliament) are: Congress Party, six; United Front Leftists, four (including two Communists and two Revolutionary Socialists); Travancore Tamilnad Congress, one; Independents, one.

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Comment: The Travancore-Cochin leftists have successfully prevented the Congress Party from obtaining an absolute majority in the state assembly. According to the US Embassy in New Delhi, neither the Congress Party nor the leftist front is likely to form a stable coalition government. However, South Indian Communists will be greatly encouraged, while the Congress Party will find it hard to re-establish its former hold in the area.

3. Final election results in Delhi State: The final election results for the 48 seats in the Delhi State elections are as follows: Congress Party, 39; Independents, four; Socialist Party, two; Jan Sangh, two; Hindu Mahasabha, one.

Final results for the four seats in the House of the People are:
25X1 Congress Party, three; Kisan Mazdoor Praja Party, one.

4. BURMA. Burmese Commander in Chief proposes withdrawal of Chinese Nationalists: In a recent conversation with the acting US Army Attache in Rangoon, Burmese Commander in Chief Ne Win proposed a plan, subject to cabinet approval, for the evacuation of Chinese Nationalist troops now in northeastern Burma. He suggested a US request to Taipei for written orders instructing its troops to leave, and a similar approach to Thailand for assurance of their safe passage through that country. Ne Win said that Burma would use its air force to deliver the order by leaflet and would permit the entry into Burma of six responsible officers from Formosa to direct the withdrawal.

The Burmese military leader asserted that his plan offered the only possible solution, and added that removal of the Nationalists would relieve pressure from Peiping and would free Burmese troops to "clear up Communist
25X1 insurgent areas."

Comment: There are no indications that the Chinese Nationalists would agree to this proposal, even if it were approved by the Burmese Cabinet and acceptable to all other interested parties.

Only a small number of Burmese troops are deployed against the Nationalists. The freeing of these forces would not greatly aid the government's efforts against the Communists.

5. Nationalist issue damaging US-Burma relations: Stories about fresh, American-equipped Chinese Nationalist troops arriving in Burma have been increasing in Burmese newspapers, according to the US Embassy in Rangoon.

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The general reaction, both among Burmans and foreigners, is one of "where there is smoke there is fire," and the Embassy states that the matter is casting a cloud over MSA negotiations. Pro-Communists link the Nationalist problem to MSA and the expansion of Mingaladon airport and describes them as the three greatest threats to Burmese sovereignty. [REDACTED]

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Comment: The pro-Communists have always alleged US involvement in Burmese affairs, but with particular insistence during the past few weeks of negotiations for MSA assistance. The effectiveness of this campaign may be judged, in part, by the fact that these negotiations were to have been concluded by 10 January.

6. US aid program remains in jeopardy: The US Embassy in Rangoon reports that the Burmese Government considers the phraseology of the Mutual Security Act to be inconsistent with its conception of a neutral foreign policy. The required declaration affirming compliance with the Battle Bill has created an additional obstacle.

The Embassy comments that Burmese acceptance of MSA is still in doubt. Rejection of American aid, according to the Embassy, would not be the result of growing ill will. It would, however, temporarily enhance the prestige of the pro-Communist Burma Workers and Peasants Party.

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Comment: Burmese reluctance to accept US aid under the MSA has been apparent for several weeks. Although some Burmans are genuinely concerned over a breach of their neutral foreign policy, many have been swayed more by fear of China and the intense leftist propaganda campaign which has developed during the period of negotiation. Rejection of MSA would be a major victory for the BWPP and mark a distinct reversal of the Burmese Government's slow progress towards cooperation with the Western democracies, which can be exploited with increasing effectiveness by the pro-Communists.

7. THAILAND. USSR raises political issues at ECAFE conference: On 24 January the Soviet delegate to the ECAFE Committee on Trade and Industry meeting in Bangkok interjected a political note into the proceedings by attributing poverty in Southeast Asia to capitalist machinations. The following day the American, British, and French delegates pointed out the benefits of foreign investments, while delegates from several Asian countries stated that the countries considered foreign capital as an important factor in the development of their economies. The Soviet spokesman reserved the right to return to the subject for further comment. [REDACTED]

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Comment: This approach conforms with the current Communist line regarding Southeast Asia, and there is no reason to believe that the Soviet delegate will deviate when he resumes the argument.

8. CHINA. Chiang Kai-shek annoyed at "limited" extent of US assistance: Chiang Kai-shek is annoyed at the "limited" extent of American aid to Formosa and is fearful that the US and Britain still may "sell out" Nationalist China [redacted]

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[redacted] Chiang expected a large number of American officers and troops to be sent to Formosa and is disappointed that thus far only 350 Americans have arrived, and that none of these are combat troops. Chiang also feels that American military supplies have been coming too slowly and are not of the right kind. He believes heavy armament, such as artillery and antiaircraft guns, is absolutely necessary if the Nationalist armies are to return to the mainland. Furthermore, Chiang reportedly contends that Britain has not withdrawn recognition of the Chinese Communists because the US has not applied enough pressure on London. Chiang says he is still afraid the US may use Formosa as a bargaining point in a political deal with Britain or Communist China.

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9. British merchant ship attacked in Formosa Strait: The British-flag vessel Somali (9,080 GT), while traveling through the Formosa Strait on 14 January, was attacked by a three-masted junk which hoisted the Nationalist flag. The merchant ship suffered only slight damage before the junk retired. It was observed that the crew of the junk wore khaki.

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Comment: In late October another British vessel, the Hupeh, was attacked in the East China Sea by a motor junk but was rescued by a New Zealand warship. All shipping in China coastal waters risks attacks by pirates or seaborne Nationalist guerrillas.

10. Peiping claims Sino-Soviet treaty prevents US attack on China mainland: Peiping radio, commenting on the Sino-Soviet Friendship Week which begins on 14 February, claims that the Sino-Soviet treaty of February 1950 has been instrumental in preventing US military action against the China mainland. The broadcast alleges that MacArthur's proposal to bomb the mainland, blockade the coast, and employ Chinese Nationalist troops was favored by American leaders but that the US was "afraid of the strength of the Chinese people on the one hand and the existence of the Sino-Soviet...Pact on the other; they feared that the Soviet Union might help China...." [redacted]

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Comment: This is the first time that Peiping's propaganda has been known to credit explicitly the Sino-Soviet treaty with this achievement, although Peiping has implied as much on other occasions. This latest statement may have been stimulated by press reports of US preparations for retaliation against the mainland in the event of a breakdown of the Korean talks or a Chinese Communist invasion of Southeast Asia. The published terms of the Sino-Soviet treaty, in point of fact, are so phrased as to permit the USSR either to provide or to withhold direct assistance in the event of enemy action against Communist China.

11. Minister of Justice regards anti-corruption campaign as class struggle: Shih Liang, the Peiping regime's Minister of Justice, has publicly stated that the current campaign against corruption, waste, and bureaucracy is a severe class struggle and represents the counter-attack of the working class on the bourgeoisie.
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Comment: This statement supports the speculation that the "national bourgeoisie" -- frequently denounced in recent weeks for tempting and corrupting Party cadres -- may find itself removed from the "four friendly classes" in the fairly near future.

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14. Rhee's political difficulties deepen: The past week found President Rhee's hopes of securing re-election to the presidency at the vanishing point. His predicament has arisen through his abandonment of the National Assembly wing of his new "Liberal Party" and his failure to secure passage of a constitutional amendment providing for popular election of the president (rather than the present system of legislative election). Piqued by his failure, Rhee is reported to have been "muttering vague threats about recalling the legislature" because they "ignored the popular will and would pursue their private interest." The ROK constitution has no provisions for a legislative recall. The reporting officer observes that Rhee's irrational statements reflect his "growing irritation and frustration with his political difficulties."

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Comment: These latest developments would seem to climax the long-standing feud between Rhee and the National Assembly. Under a strict interpretation of the constitution, all Rhee's channels for legal re-election seem to be blocked, unless his party is able to win a majority of the Assembly seats in coming elections.

15. JAPAN. Japanese attitude toward Moscow Economic Conference revealed: CINCFE reports that while Japanese newspapers now recognize the propaganda motives of the Moscow Economic conference to some extent, the press, like many businessmen, takes the attitude that the Japanese have nothing to lose by their attendance. Furthermore, there is a feeling that the re-opening of trade with Communist China may be facilitated.

Sponsorship of Japanese participation by a Communist Party front group is becoming less obvious as increasing interest is being shown by Japanese businessmen and financiers. Of a total of 18 Japanese who are known to have received invitations, eight have indicated a desire to attend. Of the eight, four are fellow-travelers, two are leftist-inclined economists, and two are businessmen. The Japanese Government will discourage representation.

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16. Russians may permit Japanese fishing activity in waters adjacent to USSR. A French news agency in Tokyo reports that the USSR recently notified a private Japanese enterprise that Russia "would be inclined to permit" the Japanese to renew fishing activity in waters adjacent to Soviet territories. The Russians are said to have indicated that they are poorly equipped and would lease the fishing grounds -- in the Sea of Okhotsk and the Bering Sea -- on a reciprocal basis. The Soviet mission in Tokyo will communicate with Moscow and make official proposals as soon as the Japanese concerned give their answer.
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Comment: This appears to be another in the series of Soviet gestures of friendship toward Japan which started in late 1951, and which may be designed either to create discontent over Japan's alignment with the free nations or to create a favorable attitude for future, more concrete proposals.

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SECTION 3 (WESTERN)

1. GERMANY. Saar question threatens Schuman Plan and European Army: West German officials have urgently requested High Commissioner McCloy to make representations to France against the creation of an embassy to the Saar, another step toward giving the Saar an independent status. Chancellor Adenauer, described as "gravely upset," and as dissatisfied with French Foreign Minister Schuman's explanation, has instructed his chief delegate at the European Army discussions in Paris to make no more agreements there and to file another protest. Adenauer believes that under the present circumstances it will be impossible to get the German Upper House to approve the Schuman Plan this week as scheduled.

As a possible solution to this "most dangerous threat to the Schuman Plan and the European Defense Community," McCloy endorses a formula reportedly advanced by Adenauer, that the Saar be "internationalized" and made the seat of both the Schuman Plan Authority and the European Defense Community. [REDACTED]

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2. Six thousand complete service with East German paramilitary police: EUCOM reports an exchange of personnel between the East German Alert (paramilitary) Police (HVA) and the civil police necessitated by the release of an estimated 6,000 men from the HVA. Although 7,000 were eligible for release, critical personnel were earmarked for retention. Reorganization, reported as a possibility last December, has not occurred, but a survey is being conducted to determine the number and type of persons who will be available for military training during 1952.

Alert Police are now required to carry special identity cards and to wear their uniforms when off duty. [REDACTED]

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Comment: The limitation of the recruitment effort to the acquisition of replacements suggests that no early large-scale expansion of the HVA is planned; also, the East Germans are unlikely to enlarge the HVA while there is still a chance of slowing West German rearmament through political action. A failure of the program of recruitment from civil life is suggested by the acquisition of replacements from the civil police.

The new identity requirements will make defection difficult, thus restricting one of the West's best sources of information on the HVA.

3. AUSTRIA. Failure of treaty talks evokes signs of neutralist sentiment: Commenting on Western claims that the USSR has willfully obstructed the conclusion of an Austrian state treaty, the respected coalition newspaper,

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Neues Oesterreich, asserted last week that the "basic reason" for the failure of the treaty talks is one power bloc's belief that Austria will use her newly won freedom to join the other bloc. The editorial asserts that it would be politically unrealistic to expect "one of the calculating statesmen to consent to a decision which would undoubtedly expand the sphere of power of his political opponent." The Austrian concept of freedom must be "isolated and neutralized" as in Switzerland and Sweden, the paper advises, even though this may be difficult.

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Comment: Failing to distinguish between the differing motives of "calculating statesmen," this editorial is a notable exception to the almost uniform condemnation among non-Communist and independent press of Soviet tactics on the Austrian treaty. The paper's views, then, are not widely held in Austria. The editorial is, however, a warning of the "neutralist" pressures to which the Austrian Government may be subjected by a continued stalemate on the Austrian treaty, and an indication of the necessity for close consideration of Austrian public opinion in future moves to end the stalemate.

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6. DENMARK. Foreign Minister sees EDF as vitally important for his country: Foreign Minister Kraft has informed General Eisenhower that since Denmark cannot be defended without German participation, his country is much interested in seeing an early agreement reached on the European Defense Force. Eisenhower's political adviser gained the impression from a previous conversation that Kraft is "at least turning over in his mind the possibility of Denmark's eventually joining the European Defense Community if it succeeds."

25X1 In his conversation with Eisenhower, Kraft also went out of his way to stress Denmark's dependence on Polish coal and its consequent need to obtain COCOM agreement to the transfer of a 10,000-ton tanker to Poland in return for essential coal shipments. [REDACTED]

Comment: This is the most decided indication to date of Denmark's interest in the EDF. While Kraft's statement should be read in the context of his evident desire to gain Eisenhower's sympathy for Denmark's position in East-West trade as well as for his government's recent refusal to accept completely the TCC's recommendation for increased Danish military expenditures, it nevertheless reflects the basic opinion of most Danes regarding Germany and European security.

7. ICELAND. Government asks US aid to alleviate unemployment: The Icelandic Government is extremely concerned over increasing unemployment in the Reykjavik area. The Foreign Office has accordingly asked that the US Defense Force in Iceland immediately start certain construction activities currently scheduled for later in the year. The American Legation endorses this request, agreeing that the Communists will have an excellent opportunity to make political capital of the unemployment if the situation is not remedied. [REDACTED]

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Comment: Press reports since early December indicate that the labor unions and political parties have been concerned over the unemployment which reportedly is seasonal, aggravated by a severe winter. The government is always extremely sensitive to any situation which could conceivably give the Communists an opportunity to regain control of the labor movement.

8. ARGENTINA. Peron calls for Latin American confederation to resist imperialism: In his weekly newspaper column Peron has again called for the prompt establish-

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25X1 ment of a confederation of Latin American states to resist "imperialist conquest and exploitation." He emphasizes that the US has sought to exploit the rich resources of Latin America, which, like Canada, "constitutes the most coveted objective of imperialism." He warns that when the war is over, it will be too late to confront this danger. [REDACTED]

Comment: This appeal is part of Argentina's intensive propaganda campaign designed to displace US influence within the hemisphere. Currently the main propaganda theme concerns charges that the US arbitrarily sets low prices for Latin American raw materials. This type of propaganda is more appealing than a direct bid for political leadership, since other Latin American countries are generally suspicious of Argentina's political ambitions.

9. CUBA. Labor leader proposes world labor conference: Eusebio Mujal, Secretary General of the non-Communist Confederation of Cuban Workers (CTC), has announced that it is planned to call a world Labor Congress in Havana for 1 May. The CTC leader said that it was hoped that delegations of agricultural workers, particularly those growing sugar, as well as seamen and dock workers from a number of countries could be brought together. The conference would strive to improve conditions for workers of colonial countries who earn very low wages and whose products compete with those of other regions where workers enjoy a higher standard of living. [REDACTED]

Comment: The ICFTU Interim Committee which met in London last October allocated funds for numerous regional projects including organizational work in several world regions. Representatives were also to be sent to various underdeveloped regions on an industrial basis in collaboration with appropriate international trade secretariats, in order to help forward organization in such fields as mining, textiles, plantations, and public services.

10. PANAMA. Action against local shipping representative suggested: The US State Department suggests that the Embassy in Panama bring the fact of the present Polish registry of the Montesa, the Modena, and the Morella to the attention of the Panamanian Government for possible action against the local company responsible for the fraudulent transfer application. The Panamanian Government had approved the transfer of these vessels from Panamanian to Portuguese registry. The Panamanian Government had stated as early as 4 October that it would not approve transfer of a vessel to Polish registry because it did not recognize the Government of Poland. [REDACTED]

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Comment: Arias, Fabrega y Fabrega is believed to be the local firm representing the former owners of the Montesa, the Modena, and the Morella.

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Any action against this firm will be motivated primarily by domestic political considerations. The principal partner is ex-president Harmodio Arias, a man of considerable power who is aligned against the forces now controlling the government.

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